



**HOT SPRINGS TELEPHONE COMPANY**  
**HOT SPRINGS, MONTANA 59845**

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November 14, 2016

**Written *Ex Parte* Presentation**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street SW  
Washington, DC 20554

Attention: Wireline Competition Bureau

**Re: Connect America Fund – WC Docket No. 10-90**

Dear Ms. Dortch:

Hot Springs Telephone Company files this letter to express its thoughts regarding how the FCC should address rate-of-return carriers' election of support based on the Alternative Connect America Cost Model (A-CAM), which would produce support and transition payments that significantly exceed the overall 10-year budget set by the Commission for carriers electing the model path.<sup>1</sup>

Hot Springs Telephone Company is a rate-of-return regulated company headquartered in the small rural community of Hot Springs, Montana and serves approximately 441 customers with broadband and 728 customers with voice services. We operate on the Flathead Indian Reservation, with a high percentage of Native American customers (Salish, Kootenai and other tribal members). Hot Springs Telephone is family owned, founded by Grant Preston in 1935, and still owned by the Preston family. There are remote rural farms and ranches that surround the small town of Hot Springs and we serve a total of 438 square miles, including the very small communities of Niarada, Lonepine, Camas Prairie and Perma. Hot Springs is predominately a low-income town with per capita income of \$12,690, ranked 204<sup>th</sup> of 275 towns in Montana. We face a daunting challenge in the current competitive environment, with declining federal support

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<sup>1</sup> See, *Wireline Competition Bureau Announces Results of Rate-of-Return Carriers That Accepted Offer of Model Support*, WC Docket No. 10-90, Public Notice, DA 16-1246 (WCB rel. Nov. 2, 2016).

for rural America, of serving a sparsely populated area with an average of only 1.7 access lines per square mile. The greater the broadband speed offered the greater the benefits to our customers. The A-CAM model-based support, as announced, will allow us to expand and upgrade our facilities to reach new customers and bring greater broadband speeds to existing customers. The A-CAM support would allow us to plan our investments to meet the FCC broadband requirements. We are now very concerned that the support amounts initially announced may be in jeopardy.

Hot Springs Telephone Company recommends that any measure(s) the FCC takes to address the high level of interest in A-CAM should adhere to the following principles:

1. *High-cost Universal Service Fund (USF) support for rate-of-return carriers should be fully funded, both for carriers electing A-CAM and those opting to remain on the reformed legacy mechanisms.* Absent full-funding, rate-of-return carriers will be increasingly challenged in their ability to: (1) continue deploying and upgrading broadband service throughout their territories; (2) provide service at affordable and “reasonably comparable” rates (standalone broadband in particular); (3) maintain their networks; and (4) repay infrastructure loans. These outcomes are antithetical to the Commission’s objectives for modernization of the high-cost USF program for rate-of-return carriers; and would leave rural America abandoned to the backwaters of Internet service.
2. *If high-cost USF support for rate-of-return carriers cannot be fully funded, then the FCC should allocate the proposed additional \$50 million from the CAF reserve account to the A-CAM budget.*<sup>2</sup> Doing so will provide additional incentive for carriers that elected A-CAM to accept any revised offer they may receive. It will also result in greater broadband deployment, faster speeds, and more affordable rates in the areas served by these carriers.
3. *Any measure(s) the FCC adopts to address the A-CAM budget shortfall should seek to maintain A-CAM eligibility for as many carriers as possible that initially elected model-based support.* Carriers that accepted the A-CAM support offer expended significant time and effort to determine whether and how model-based support would be beneficial for their rural customers and communities. Therefore, they should be given every opportunity to continue to elect A-CAM support.
4. *Any reduction in a carrier’s offer of model-based support must be accompanied with an appropriately calculated reduction in broadband deployment obligations.* This

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<sup>2</sup> *Connect America Fund et al.*, Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, WC Docket No. 10-90 et al., DA 16-661 (rel. Jun. 15, 2016), para. 62.

includes a reduced number of locations for which there is a defined deployment obligation and/or reduced minimum speed requirements for such deployments. The support offered must be sufficient to accomplish the build-out goals.

Respectfully Submitted,



Kathe A. Johnson  
Treasurer

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